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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000364

SIPDIS

DEPT FOR EAP/CM, DRL
STATE PASS ELECTRONICALLY TO DEPT OF LABOR FOR OSEC
NSC FOR WINTER, LOI
USDOC FOR ITA DAS KASOFF

E.O. 12958: DECL: 8/28/2018
TAGS: [CH](#) [ECON](#) [ELAB](#) [ENRG](#) [PGOV](#) [PINR](#)
SUBJECT: DOL SECRETARY CHAO'S AUGUST 27 MEETING WITH SHANGHAI PARTY
SECRETARY YU ZHENGSHENG

CLASSIFIED BY: Simon Schuchat, Acting Consul General, U.S.
Consulate General, Shanghai, Department of State.
REASON: 1.4 (b), (d)

¶1. (C) Summary: In an August 27 lunch meeting with Department of Labor (DOL) Secretary Elaine L. Chao, Shanghai Party Secretary Yu Zhengsheng described challenges facing Shanghai, such as relocating residents out of poor housing blocks, providing adequate social services to migrant workers, and shifting Shanghai from a labor-intensive economy to a white-collar, service-oriented economy. Yu also expressed his hope that U.S. companies will actively contribute to the U.S. pavilion at the 2010 Shanghai World Expo. Yu noted that "360 degree" performance reviews have brought discomfort to high-level officials. End summary.

¶2. (U) During an August 26-28, 2008, visit to Shanghai, Shanghai Party Secretary Yu Zhengsheng hosted an elegant lunch in honor of U.S. Secretary of Labor Elaine L. Chao on August 27. See paragraph 11 for a full list of participants.

Looking For a Better Deal

¶3. (C) Yu discussed some of the challenges facing the Shanghai Government in light of its rapid growth, including efforts to relocate residents out of poor housing blocks. Shanghai regulations stipulate all relocated residents must be compensated with new housing from the government. Most relocated residents are offered housing superior to their original. However, some residents want to be compensated with an "unreasonable" amount of cash, and others plainly refuse to move for personal reasons. According to Yu, some local officials relocate the "easier" residents first, then offer better compensation to the more "difficult" ones later, thus creating an unfair system.

¶4. (C) Many Shanghai residents are also opposed to building power generators in downtown areas, despite Shanghai's surging need for more electricity. These residents cite possible health risks associated with electromagnetic radiation, but Yu asserted there is no scientific basis for their claims. He speculates the real reason for people's opposition is a fear that this would impact local real estate market values. This has forced power utility companies to build generators underground at much higher costs.

15. (C) Yu believes some of these difficulties dealing with local residents stem from China's legal system: if plaintiffs are not satisfied with the initial court hearing, they can continue petitioning higher level government officials until they succeed. Thus, residents who do not want to be relocated can continue petitioning every level of government, as happened with several cases that made it all the way up to Yu's desk. Yu thinks this system is "democratic" but also undermines authority.

Taking Care of the Migrants

16. (C) Yu estimates there are about five million migrant workers in Shanghai. Migrants currently receive social security benefits, Yu said, though their level of benefits differs from those of farmers and regular urban residents. The government is also looking to provide free primary and secondary schooling to children of migrant workers even if they are not officially registered residents of Shanghai. The government also plans to build more apartment complexes specifically for migrant workers.

Moving to a White-Collar Economy

17. (C) Yu emphasized that Shanghai must continue to "open up" and reform if it is to meet the current and future demand for white-collar jobs, which all parents in Shanghai now desire for their child or children. He sees Shanghai at the forefront of China's economic transition from a labor-intensive, manufacturing economy to a service-oriented, white-collar economy. The recently implemented Labor Contract Law (LCL) has benefited many workers. But increased costs associated with the LCL and Renminbi appreciation have forced many labor-intensive

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factories in Shanghai to move or shut down. Yu hopes to attract more service-oriented companies to Shanghai. The Shanghai Government is considering how to make it easier for highly skilled, white collar workers who are not official Shanghai residents to acquire Shanghai residency and work permits.

Concerns Over U.S. Company Participation in World Expo

18. (SBU) Yu expressed his hope that more U.S. companies will decide to contribute to the U.S. pavilion at the World Expo, scheduled to be held in Shanghai in 2010. Shanghai Expo Bureau leaders will visit the United States this September to campaign for more active participation by U.S. companies. Secretary Chao assured Yu that we hope to see a successful U.S. pavilion at the World Expo. She suggested that Yu continue to encourage U.S. companies to contribute to the U.S. pavilion. Yu acknowledged that circumstances in the United States are different from those in other countries, since the U.S. pavilion must be financed entirely by the private sector. In other countries, governments pay for their national pavilions.

"Not Good Fortune" to Be a Senior Leader in China

19. (C) Yu gave some candid remarks on the difficulties of being a leader. He noted that when he was Minister of Construction, he and his deputies underwent a "360 degree review" of their performance in which they had to list their weaknesses. The people they supervised also anonymously contributed their views on the leaders' performance, to which the leaders had to provide "good" answers acceptable to higher level officials. He said some of his deputies were "brought to tears" by the process and added half-jokingly that it is "not good fortune" to be a Cabinet Minister in China.

Comment

110. (C) Yu was relaxed and appeared to be in command of the subject matters. He did not rely on prepared notes or ask his subordinates for assistance but allowed members from the Chinese side to add comments. Although the meeting was formal, Yu seemed comfortable engaging in substantive conversation, even adding his personal thoughts on leadership issues.

Participants

¶11. (U) Chinese Side:

Yu Zhengsheng, Shanghai Municipal Party Secretary
Tang Dengjie, Vice Mayor, Shanghai Municipal Government
Zhang Yali, Director General, International Cooperation
Department, Ministry of Human Resources and Social Security
Zhou Haiyang, Director General, Shanghai Bureau of Labor and
Social Security
Fan Yufei, Deputy Director General, Shanghai Foreign Affairs
Office
Zhang Jie, President of Shanghai Jiaotong University
Ma Dexiu, Chairman of Shanghai Jiaotong University Council

U.S. Side:

Secretary of Labor Elaine L. Chao
Acting Consul General Simon Schuchat
James Chao, Secretary Chao's father
Anna Hui, Associate Deputy Secretary, DOL
Jennifer Coxe, Deputy Assistant Secretary, Office of Public
Affairs, DOL
Ken Toko, ConGen Shanghai, notetaker

¶12. (U) Secretary Chao has cleared on this report.
SCHUCHAT